

A Work Project, presented as part of the requirements for the Award of a Masters
Degree in Management from the NOVA – School of Business and Economics.

VILA GALÉ HOTÉIS INTERNATIONALIZATION STRATEGY TO FLORIDA, U.S.A.

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A Project carried out on the Management masters, under the supervision of Professor
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Lisbon, January 6th 2013

Title: Vila Galé Hotéis Internationalization Strategy to Florida, U.S.A.

Abstract: The main purpose of the present paper is to study the prospects of an internationalization of the Vila Galé Hóteis group to Florida, in the USA. First, the company, its strategy, organization and resources were assessed, followed by an industry scanning of the domestic market. In a second stage, Florida macro environment and hotel industry analyses are facilitated to identify the most suitable strategy and best mode of entry for the company. It was concluded that opening a 4-star hotel in Miami Beach could represent a viable investment opportunity.

Acknowledgments: I would like to express my sincere gratitude to Professor Sónia Dahab, my advisor, Dr. Gonçalo Rebelo de Almeida, from Vila Galé Board of Directors, and William Kutson and Keida Ackerman, from SelectUSA, part of the International Trade Administration within the U.S. Department of Commerce.

Keywords: internationalization; strategy; hotel; tourism; hospitality

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Abbreviations used

ADR	Average Daily Rate
ASCE	American Society of Civil Engineers
F&B	Food & Beverages
GDP	Gross Domestic Product
GMCVB	Great Miami Convention
LLC	Limited Liability Company
OECD	Organisation for Economic Co-operation and Development
PwC	PricewaterhouseCooper
RevPAR	Revenue Per Available Room
UNDP	United Nations Development Programme
USA, US	United States of America

1 THE VILA GALÉ HOTÉIS GROUP

1.1 Brief description

The group Vila Galé is a Portuguese chain of hotels, with 24 hotel units, of which 16 are in Portugal and 8 are in Brazil (see Appendix 1). Vila Galé is today the second largest hotel group in Portugal, with 3,800 rooms, behind only Pestana Hotels & Resorts (Deloitte, 2013).

The group was constituted in May 1986, by three partners, with the objective of building a hotel in Praia da Galé, in Algarve, Portugal. Nowadays, two of original three partners hold 90% of the group's shares and Caixa Geral de Depósitos holds the remaining 10% (see Appendix 2). Two years after forming the firm, the first hotel opened its doors to the public. With the initial success, they started expansion by acquiring land and building hotels from scratch, by buying hotels going through financial troubles, or even by buying unfinished hotel buildings. This way, the company has grown at a rhythm of approximately one hotel opening per year.

Geographically, until 1995, this expansion was in the south of Portugal, in the Algarve region. In 1996, they started opening their first hotels in the Lisbon area and in 1999, they opened the first hotel in the group in the north of Portugal, in Oporto. The first hotel outside of Portugal was opened in 2001, in Brazil. The reason to first expand internationally to Brazil was the detection that the northeast of Brazil suffered from a lack of resorts, despite its year-round good climate. Additionally, the domestic Brazilian market was one facing an economic growth with increasing purchase power. Lastly, there are some cultural ties between Portugal and Brazil, increasing affinity between the two nations. The group met high success in Brazil according to its Director (Almeida,

Interview 1, 2013). The domestic market for the Vila Galé resorts in the Brazilian northeast surpassed the group's expectations by achieving 90% of their customer base (Almeida, Interview 1, 2013). Additionally, customer satisfaction is at a good level, with an 84.18% satisfaction (see Appendix 3) and a score of 7.4 from Booking.com reviews (see Appendix 4). Also, occupancy rates saw an 18.3% increase (Vila Galé, 2013). The Brazilian units are at this time a very important part of the group. In fact, the increase in revenue in 2012 was due only to the Brazilian operations, since the Portuguese operations faced a slight decrease (Vila Galé, 2013). Thus, the group plans to continue further expanding in Brazil, in new regions, with a more Leisure & Work concept. Currently, it is building a new unit in Rio de Janeiro, with expected conclusion in January of 2015.

Vila Galé main product is the 4-star hotel. When choosing location and hotel typology, the group chooses to follow the market opportunities. Vila Galé has consistently chosen the 4-star hotel in detriment of the 3 and 5 stars ones, for the reason that in Portugal, due to lower prices¹, the Vila Galé 4-star hotels manage to capture a big part of the European market that in other European cities would stay in a 3 star hotel. The 4-star hotels are divided in two types: the Resort hotel and the Leisure & Work hotel. These two types balance each other, since resorts suffer more from seasonality, thus the group tries to find an equilibrium between those. The group opened a 5-star hotel recently, in Lisbon, under the sub-brand Vila Galé Collections. The property in question only allowed for a smaller number of rooms than usual in the group hotels, which would not be profitable for a 4-star hotel. Thus, the solution would be a 3-star, allowing a cost reduction, or a 5-star,

¹ The daily rate for a Vila Galé 4-star hotel room is around 60-65 euros (Almeida, Interview 3, 2013), while the ADR for Lisbon is around 84.15 euros and the European average ADR is 91.8 euros (PwC, 2013).

allowing better margins. The group went with the latter to also test the potential of the 5-star hotel market in Portugal.

1.2 Mission, Values and Strategic objectives

Vila Galé states as its mission the motto “Always close to you”. It completes this mission with eight core values: appreciation, innovation, reliability, ambition, guarantee, accessibility, freedom and efficiency (Vila Galé, 2013). This mission and values are shared across all the group hotel units.

The company does not currently possess a concrete long-term strategy. Historically, the group has expanded by reacting at opportunities that surge. Nonetheless, the company defines three main objectives (Almeida, Interview 2, 2013):

- Consolidation of its operations in Portugal, by improving occupancy rates and profitability of its Portuguese units;
- Grow in a sustainable rhythm with further expansion in current markets (with one or two new units in Portugal and Brazil);
- Expand to new markets, namely Florida, U.S.A., Spain and some other potential European market.

These objectives should be seen as more general guidelines, and not specific milestones set to the whole group.

1.3 Organization and Value chain

As for the organization of the group activities, all the main back-office activities (Marketing & Sales, Human Resources, Administrative & Financial, Legal, Technical, and IT) are centralized and shared among its units (see Appendix 2). This leaves each

hotel to have a purely operational structure: each hotel has a hotel manager, a direction assistant, and section supervisors (reception, restaurant, cleaning, etc.). Outsourcing of activities is almost insignificant, with outsource only being used to reinforce the cleaning and restaurant workers in peak demand periods or for bigger or more complex maintenance tasks.

One of the company's objectives is to improve profitability of its units, thus a value chain analysis can help identify the cores activities. According to information provided by Vila Galé, Human Resources Management is the main cost activity for Vila Galé operations, representing around 43% of the costs (Almeida, Interview 3, 2013). This is to be expected in a hotel. Vila Galé tries to achieve a great service, thus providing its employees with a strong training program, implemented group wide (see Appendix 5). Then, costs with its F&B activities ascend to 18%, costs with utilities are 12%, with maintenance 7%, and 5% with marketing and sales (Almeida, Interview 3, 2013).

Regarding revenues, the lodging is the main profit source, representing around 70% of the group's revenue, while the other 30% are profits from support activities (such as F&B, SPAs and conference rooms renting) (Almeida, Interview 2, 2013). In 2012, the average lodging revenue for Portugal was €53.7, and for F&B €23.08; for Brazil it was €91 for lodging and €61 for F&B (Vila Galé, 2013), representing a gross operating margin of approximately 25% for Brazil and 40% for Portugal (Almeida, Interview 3, 2013).

1.4 Hotel industry in Portugal

The hotel offer in Portugal grew slightly in 2012, albeit economic recession and its impact on the industry, with the Algarve region dominates in terms of inflow of tourists and number of rooms (Deloitte, 2013). The main hotel groups are (ordered by the number of

rooms) Pestana Hotel & Resorts (with 6,335 room units), Vila Galé Hotéis (3,800), Accor Hotels (3,113) and Tivoli Hotels & Resorts (2,471) (Deloitte, 2013). The market is still much segmented, with independent hotels representing around 40% of the number of rooms (see Appendix 7) (Deloitte, 2012).

Making use of Porter's five-forces analysis, we will try to better understand the forces which drive and shape this industry in Portugal (an industry map is presented in Appendix 6). Rivalry among existing competitors in Portugal is very high. As mentioned in Vila Galé market segmentation options, a particular characteristic of the hospitality market in Portugal is that quality of a hotel can rival the quality of the hotel in the superior rating. Hence Vila Galé is competing not only with 4-star hotels, but also with neighboring categories.

Bargaining power of customers is high. Internet increased dramatically transparency in the industry. Tourists are becoming more tech savvy and can with ease access and compare hotel room rates, reviews and ratings. This easiness reduces switching costs and customer loyalty.

Supplier power is low, direct suppliers to the hotel operations (such as F&B, furniture, equipment, etc.) are abundant so the hotel can with relative ease switch.

The threat of new entrants is not high. Some barriers to entry exist: opening a hotel is usually capital intensive, requires expertise and planning, and differentiation through location and service play a big role and are not easily replicated.

Threat of substitute products is low. Even though there are many new typologies and concepts of hotels, with different prices, they target different customer bases. However,

offers such as “premium” hostels are becoming more frequent, and hostels in Portugal are often considered among the best of the world. Thus, they should not be ignored.

1.5 Competitive advantage of Vila Galé

Vila Galé’s internal surveys, made to its customers at check-out, reveal that the most valued features to those customers was the staff’s kindness and both the variety and quality of the food at the hotel restaurant (see Appendix 3). From external satisfaction results, retrieved from Booking.com, what customers valued most was the location of the hotels and the staff (see Appendix 4).

Kindness of its staff is where Vila Galé excels. The company is constantly improving its investment efforts in staff training, assuring the workforce is skillful and readily available, and always pleasant (see Appendix 5). The importance of the quality of its staff is reinforced by the relevance that human resources assume in Vila Galé’s cost structure (see 1.3 above). Furthermore, the company keeps a very close eye through surveys to the customer, a program they call “Feel the customer”.

As for food, Vila Galé always tries to prime on the variety and quality of food served, in all its locations. The restaurant offers good value for money meals and breakfast is varied and of good quality. This is also a result of the training programs; Vila Galé tries to endow its chefs and kitchen staff with more and improved expertise, to prepare good quality and dishes.

The strategy of not rushing or forcing an entry in the market, leaves Vila Galé to patiently await for the best location opportunities to surge. While this may be slow and only reactionary, it resulted in a current hotel portfolio featuring well located hotels, close to what the customers’ value in that destination.

Lastly, Vila Galé claims to have a good brand recognition both in Portugal and Brazil (Almeida, Interview 1, 2013). This may be a result of the group's expansion rhythm and few resort competitors in the northeast of Brazil, since marketing expenses are not that high, as seen in the value chain analysis. Applying the VRIO framework to the group, we can find its competitive advantages.

Table 1 – VRIO Analysis for Vila Galé Hóteis

	Valuable	Rare	Costly to imitate	Organized	Competitive implication
Staff is friendly and professional	Yes	Yes	Yes	Yes	Sustained advantage
Quality of food services	Yes	No	No	Yes	Competitive parity
Current units' locations	Yes	No	Yes	Yes	Competitive parity
Brand recognition in Portugal and Brazil	Yes	Yes	Yes	Yes	Sustained advantage

Source: Own depiction

2 INTERNATIONALIZATION STRATEGY

2.1 Objectives for Florida

The company showed interest in studying the potential of expanding to the United States of America, more specifically the Miami-Dade County and the city of Orlando. The rationale for these two regions, according to the group (Almeida, Interview 1, 2013), is:

- Capture the fact that Brazil is a rapidly increasing source of international visitors in these two cities, through the already strong brand Vila Galé in Brazil;
- A new flight connection by TAP, connecting Lisbon and Miami, offers a potential increase of the Portuguese inflow of tourists in Miami;
- Very touristic destinations with an average investing cost that fits the company pattern of investments.

2.2 Destination market analysis

2.2.1 Brief description

The United States of America is one of the world's most diverse nations, with its multicultural population, different kinds of weather across its territory, contrasting destinations, and a powerhouse economy. All of this makes it a place where businesses can flourish, but competition is fierce. The Miami-Dade County and the city of Orlando are both located in the state of Florida, a state in the southeastern region of the United States. The “Sunshine State”, as it is nicknamed, borders the Gulf of Mexico to the west, and the Atlantic Ocean to the east, giving Florida the longest coastline of the contiguous United States. Those kilometers of coast allied with a humid subtropical climate, make it a popular tourism destination, either for domestic or foreigner visitors. In fact, tourism is one of the main drivers of this state's economy.

The Miami-Dade County is located in the southeastern part of the state of Florida. Miami has a subtropical climate with an annual average daily temperature of 23°C, with year-round sunshine. The county has kilometers of white sand beaches, a dynamic downtown with a high-rise business and finance center, and plenty of restaurants, art galleries, designer boutiques and shopping options throughout its neighborhoods. In terms of leisure and attractions, the most relevant neighborhoods are Downtown Miami, Miami Beach, Bal Harbour, Sunny Isles Beach, Little Havana and Coconut Grove.

Orlando is a city in Orange County, in Central Florida. Orlando has an annual average daily temperature of 22.4°C, with year-round mild-weather. The city is renowned for its several amusement parks that attract millions of visitors every year. Seven of Orlando theme parks are in the top 20 theme parks worldwide by number of visitors per year, with

Walt Disney's Magic Kingdom in Lake Buena Vista being the number 1 park in the world, with more than 17.5 million visitors in 2012 (TEA/AECOM, 2013). The largest park groups are Walt Disney World Resort, Universal Orlando Resort and SeaWorld Orlando. Each one of those groups comprises several theme parks, attractions, and entertainment venues, and own hotels and themed resorts. Theme parks in Orlando keep expanding, with recent openings such as SeaWorld Orlando's Antarctica — Empire of the Penguin in May 2013, and Universal Orlando Resort's Transformers: The Ride in June 2013, and expansions still under construction, such as three new attractions in The Wizarding World of Harry Potter at Universal Studios Florida (Niles, 2012).

2.2.2 Macro environment

The US' political system is very stable, ranking 110 out of 165 countries in the Political Instability Index (The Economist Intelligence Unit, 2013). The country is a federal constitutional republic, in which the federal government shares sovereignty with the state governments, and the regulation of corporations is mostly done at state-level, and there are few requirements at the national level.

Setting up a new business in the US is not a very difficult procedure. In fact, the US ranks fourth place (out of 189 economies) of ease of doing business and 20th in terms of starting a new business, in the Doing Business 2014 index (World Bank, 2013). However, the legal aspects and implications vary depending on the state and county chosen for the business, which in this case will be the state of Florida². Federal procedures should take

² The US allows a company to register in a state different than that where it mainly does business. Traditionally, businesses prefer to incorporate in Delaware (Baker & McKenzie, 2007) due to some advantages to some firms. However, in the case of Vila Galé, this will result in double annual taxation from both states, since Florida taxes companies doing business in Florida but registered in another state as foreign companies. Choosing a different state should only be considered in case the Vila Galé, in the future, expands in the US and starts operating in multiple states. Therefore, the best option to Vila Galé is to incorporate in the state of Florida.

around 1-2 days to complete, with no relevant costs. In the case of the state of Florida, new business applications should take on average 10-15 business days to be processed and cost US\$70 for a Corporation and US\$125 for a LLC, plus an annual fee of US\$150 for the first and US\$138.75 for the second. Florida's state and local governments have made many of the procedures easily accessible online and facilitate for a legal representative to act on behalf of the company.

Economically, the US is the largest national economy in the world, with an estimated GDP of US\$16.6 trillion in 2013 (IMF, 2013). Growth is still bellow pre-recession levels, but still strong and recovering, with a GDP growth rate of 4.1% in the third quarter of 2013 (IMF, 2013). Regarding the state of Florida, GDP was of US\$777.164 millions (Federal Reserve Bank of St. Louis, 2013).

US real estate market is prospected to follow the economy recovery, with investment forecasts for hotel properties quite high (PwC, 2013). Miami presents good prospects for real estate investment, having the highest number of “buy” recommendations in the country for retail, industrial and hotel properties (PwC, 2013). Orlando did not rank as high as Miami for real estate investment (PwC, 2013). In the second quarter of 2013, available space for retail construction in Miami and Orlando was, respectively, 4.1% and 7.9% of the total retail building square feet (CBRE, 2013).

Regarding mortgage interest rates, there is expectations that these are going to rise moderately from 2014 onwards (PwC, 2013). Commercial banks are the main lending source for commercial mortgage (PwC, 2013). In the US, interest rates for commercial mortgages are normally higher then residential counterparts. In the last quarter of 2013, interim financing for construction and development of lodging properties had an average

interest rate of 7.29%, with a spread of 4.04% and 3.45 of loan fees, financing up to 80% of the value and cost of the project (see Appendix 8) (RealtyRates.com, 2013).

Infrastructures in the country are considered good and the Florida state ranked high in terms of infrastructures overall, and its airport system is in good shape, though investment in expanding capacity will be needed to encompass the growth of passengers (ASCE, 2013). Miami's main commercial airport is the Miami International Airport which had, in 2012, 20.1 million domestic and 19.4 million international passengers (Miami-Dade Aviation Department, 2013). As for Orlando, the Orlando International Airport saw during 2012 31.5 million domestic passengers and 3.78 million international (Greater Orlando Aviation Authority, 2012).

Concerning tourism, Visit Florida claims 91.5 million visitors to Florida in 2012, of which 13.9 were overseas visitors; of these, 27% were from South America, representing 29% of the international visitor spending that totaled US\$15 billion (Visit Florida, 2013). Brazil is the second country in terms of oversea visitors to Florida (Visit Florida, 2012), with Miami Beach as the preferred destination when traveling to the US (Setti, 2012). Florida's governor, Rick Scott, has asked the senate of Florida to simplify visa concession for Brazilian visitors (Setti, 2012).

Moving forward to the social aspects, the American workforce is generally skilled with high standards of living. The US ranks 3rd place in the Human Development Index (UNDP, 2013). The average annual salary in the industry is, for Miami-Dade US\$30,889 and US\$24,948 for Orange, while the average nationwide is US\$25,571 (Bloomberg, 2013) (the average salary per hotel related positions is presented in Appendix 9). As of November of 2013, unemployment rate in the state of Florida is at 6.4%, slightly below

the national rate of 7%, and its workforce ascends to 9.397 million citizens (U.S. Bureau of Labor Statistics, 2013). Of this, 287.7 thousand work on the Leisure and Hospitality (U.S. Bureau of Labor Statistics, 2013).

Concerning the American population's attitudes toward work and career, Hofstede's cultural dimensions framework and findings can be of assistance. Power distance is low in the US (Hofstede, Hofstede, & Minkov, 2010). This means that usually, in an American organization, there is hierarchy, but there is not a strong power distance; managers are accessible and work together with their teams and employees, share information and communication is mostly informal. It is also a highly individualistic and a "masculine" society, with people normally being self-sufficient and initiative takers, which values winners and monetary rewards from their hard work (Hofstede, Hofstede, & Minkov, 2010). Moreover, with a low uncertainty avoidance Americans are usually risk takers that like innovation (Hofstede, Hofstede, & Minkov, 2010). Lastly, it is a short-term oriented society, which in the corporate world means short-term performance measures, quarterly balance statements and try to achieve quick results (Hofstede, Hofstede, & Minkov, 2010).

On the subject of labor law and practices, in the American market it is advisable to have written employment contracts defining terms and conditions of the employment, and confidentiality and non-competition clauses, in order to protect the company. Termination in the majority of states (including Florida) can be done at will by the employer, even without cause. However, improper termination claims are common (Wise, 2009).

Regarding taxes, the net effective corporate income tax for the US was 39.1% in 2013 (OECD, 2013). This tax burden is higher than the world's average (weighted by GDP) of

32.5% (OECD, 2013). In terms of states, Florida's tax burden has consistently ranked among the lowest in the country for the past three decades, ranking number 5 in 2013 (Tax Foundation, 2013).

The federal corporate income tax can range from 15 to 38%, depending on the taxable income (see Appendix 10). Florida's corporate income tax rate is currently of 5.5%, regardless of the income value³.

At the federal level there are Social Security and Medicare taxes, paid half by the employee and the other half by the employer, and a Federal Unemployment Tax, paid full by the employer. The employer is liable for 6.2% Social Security, 1.45% Medicare (up to a maximum compensation amount of \$113,700 for 2013), and 6.0% Federal Unemployment Tax (up to a maximum compensation amount of \$7,000 for 2013), rates applied to the value of the employee's wage. Furthermore, Florida charges a Reemployment Tax, which ranges from 0.59 to 5.4% over each employee's annual salary, up to a maximum tax of US\$432 per employee, which it cannot be deducted in the Federal Unemployment Tax.

For sales taxes, Florida's general sales tax rate is 6% though individual counties are allowed to charge a sales surtax, than can range from 0.5 to 1.5%. In Miami-Dade, the sales tax is 7% and in Orange County is 6.5%.

In addition to the sales tax, Florida allows its counties to charge on hotels and restaurants sales Tourist and Convention Development taxes. Miami-Dade charges a 6% on each room rental (except in Surfside and Bal Harbour and in Miami Beach is of 3%) and

³ Corporate income taxes are paid only by Corporations or LLCs that chose to be considered as corporations for tax purposes (see 2.3.2 and Appendix 11).

charges an additional 2% on sales of food and beverages in hotels (except in Surfside, Bal Harbour and Miami Beach). Orange charges a 6% on each room rental. These taxes may be used for construction of tourist-related facilities and tourist promotion.

Table 2 – Summary of taxes for a hotel in Miami-Dade or Orange, FL, USA

Tax	What is taxed	Federal	State	County	
			Florida	Miami-Dade	Orange
Corporate Income Tax	Corporate taxable income	15.0 - 38.0%	5.5%	-	-
Federal Unemployment Tax	Annual salary up to a salary of US\$7,000 /per employee	6.0%	-	-	-
Social Security	Annual salary /per employee	6.2%	-	-	-
Medicare	Annual salary up to a salary of US\$113,700 /per employee	1.45%	-	-	-
Sales Tax	Sales	-	6.0% (Base)	+1.0%	+0.5%
Reemployment Tax	Annual salary up to a salary of US\$8,000 /per employee	-	0.59-5.4%	-	-
Tourist and Convention Development	Room rentals for less than 6 months	-	-	0.0% - 6.0%	6.0%
Tourist Development Surtax on Sales of	Food and beverages sold in hotels/motels	-	-	0.0 - 2.0%	-

Source: Own depiction

2.2.3 Hotel industry

The hospitality industry in the United States is one of the best organized and matured in the world. The sector of lodging in the US performed positively in 2013: occupancy rates were good, especially at higher priced hotels and RevPAR is above its long term average (see Appendix 12 and Appendix 13) (PwC, 2013).

Furthermore, supply growth is slow (expected room supply increase of 0.9% in 2013 and 1.2% in 2014), being outpaced by increasing demand (see Appendix 14) (PwC, 2013).

Consequently, hotel investment and hotel real estate transactions in the first half of 2013 exceeded that of the second half of 2012 (PwC, 2013). Despite the slower economy, it is predicted a RevPAR growth of 5.9% in 2014 due to growths in the ADR and in occupancy caused by demand higher than supply (PwC, 2013).

Orlando features a high concentration of hotels (453 properties), especially in the regions of Kissimmee (115) and International Drive (111), close to the theme parks. As for the segments, the one with the biggest supply is 3-star hotels (200) (see Appendix 16 and Appendix 17) (Booking.com, 2013). In addition to this, and an important factor to take into consideration in Orlando, is the existence of thematic resorts belonging to the theme parks, such as the 24 Disney World resorts. Some major hotel chains are present in Orlando: the Marriott (9), Choice Hotels International (17, under two different brands), La Quinta Inn and Suites (9), Embassy Suite Hotels by Hilton (7). As for industry performance, the supply follows the national trend in the USA and has faced some growth. ADR is steadily recovering and RevPAR has also steadily grown with 4.5% growth (PwC, 2013) (see Appendix 15).

Miami-Dade County has as of June 2013, 370 properties, with the highest concentration in Miami Beach (143) (see Appendix 19 and Appendix 20). There are some hotel chains, such as Marriott (3), Thompsons Hotels (1), Blugreen Resorts (1) and the Portuguese Pestana Hotels & Resorts (1) (Booking.com, 2013). Miami ranked number three in terms of RevPAR, with an 11.7% increase for the first six months of 2013 and ADR increased by 9% compared to the same period in 2012 (PwC, 2013). Occupancy rate in Miami increased from 79.2% in 2012 to 81.1% in 2013 (see Appendix 18) (GMCVB, 2013).

In the state of Florida and the counties of Miami-Dade and Orange, there are three main associations: the Central Florida Hotel & Lodging Association, the Greater Miami and the Beaches Hotel Association, and the Florida Restaurant and Lodging Association.

Albeit the recovery of the industry in this market, contrary to the Portuguese market, a Porter's five-forces analysis to the US hotel market in the US would be very analogous to the one to the industry in Portugal. Rivalry among competitors is even higher with more and stronger competitors, bargaining power of customers is high, supplier power is low since Florida's strong tourism industry generates an abundance of suppliers, the threat of new entrants is not high and the threat of substitute products is low.

2.3 Strategy for destination market

2.3.1 Factors of success

After the internal and external scanning, a SWOT analysis can identify what strengths and weaknesses the company has and what opportunities and threats can be found in the US. Afterwards, following a TOWS matrix framework can help derive what strategies will assist Vila Galé to succeed in its internationalization attempt.

Table 3 – SWOT Analysis for Vila Galé and the USA Market

Strengths	Weaknesses
Experience in the hotel business for over 27 years allowed refinement of operations Experience in acquisition and reformation of hotels Staff is friendly and professional Quality and variety of food Current units' locations Brand recognition in Portugal and Brazil Knowledge of the Brazilian hotel customer Previous internationalization experience with success	Lack of defined and clear strategic objectives Few relevant strategic partnerships Lack of knowledge of the market in the US Small percentage of customers would return or recommend Vila Galé (low value-for-money ratio)

Opportunities	Threats
Increasing inflow of Brazilian tourists	Very strong rivalry between competitors and high hotel concentration
New TAP flight connection with Miami may increase inflow of Portuguese visitors	High customer power and ease of change
Room supply lower than demand	Not much retail construction space available
RevPAR and Occupancy growth	Rise in interest rates

Source: Own depiction

As seen, customer bargaining power is strong, and with so many lodging options in these cities, rivalry is fierce and customers can change hotel with ease. Use the communication channel already established with the Brazilian and Portuguese visitors in other units in these markets to try to attract them to choose Vila Galé over competitors. Thus, taking advantage of the presence and knowledge of the Brazilian market to adapt the offer to this segment need and to promote the new US-based location to these segments is important to the success of the expansion and to achieve the above mentioned strategic objectives in Florida.

Additionally, use and improve the quality of its food and staff's friendliness to keep attracting customers and retaining them, improving return and recommendation rates.

To overcome the lack of knowledge of the American market, Vila Galé could enter through a partnership or joint venture with a local entity. However, as it will be seen in the next point, that may not be the best option for Vila Galé. Thus to address this issue, Vila Galé should establish links with local tourism associations to gain more insight into the industry and obtain advice from industry local experts. Additionally, it should keep a very close look to the development of the real estate market on the chosen location. Connecting with local real estate agents would be the best option, since these have more knowledge and access to certain commercial real estate listings that are not opened to the public.

2.3.2 Mode of entry

The best option for entry mode would be through Foreign Direct Investment, with a wholly owned hotel, by greenfield (building a hotel in a vacant lot) or by acquiring an already built hotel. This entry mode option follows the company history when expanding. It would give Vila Galé full control of the resources and full liberty to implement its own practices. It would also improve coordination and integration with its other units. Disadvantages are the high initial investment needed and higher commitment. Embarking alone in this exposes more the group financially and gives full risk to Vila Galé.

A second option would be through a management contract. The company has tried this approach in the past, in two of its hotels in Brazil. On one of them, the experience was not good, according to management (Almeida, Interview 1, 2013), forcing Vila Galé to buy the property to have full control over the unit. The second one, continues to function on this terms, where Vila Galé is in charge of management of the unit, but the capital investment and owner is another entity. This option, despite not so good past experiences, could limit risk by sharing it with other entity, especially, reducing greatly the investment required. Additionally, if the partner was a local entity, Vila Galé could benefit from the partner's knowledge of the market. However, there is difficulty in finding the appropriate partner, and that could postpone market entry indefinitely. Moreover, this could, depending on the contractual terms established with the partner, limit Vila Galé's ability to implement its own practices. And runs into the risk of imitation and exposure of its procedures, resulting in loss of competitive advantage. Thus, the first entry alternative, would be the recommended.

Regarding the business entity type to enter (see Appendix 11), in the US it is uncommon for a foreign company to open its business in that market as a branch of its home market company; whether entering through greenfield/acquisition, management contract or partnership, the best option is to form an US-based entity, since a company considered foreign pays corporate taxes at different (and higher) rates than US-based counterparts. For Vila Galé, the LLC would be the recommended option. In terms of liability, it is similar to a corporation, but corporations follow more formalities requiring regular shareholders and directors meetings, and pay both the corporate income taxes discussed above (see 2.2.2) and its shareholders pay income taxes on dividends; a LLC can be taxed as a Partnership, avoiding that double taxation, while keeping the liability limited.

2.3.3 Location choice

For Vila Galé's entry in the North American market, and after the previous analysis of the two possible cities, both present itself as good options. However, Miami-Dade would be a better option for the first entry attempt. While a hotel could be successful in Orlando, chances of success are higher in Miami, since in Orlando competition is higher and theme hotels and resorts that complement the theme park experience are still the first choice, even by tourists that have as a main purpose shopping. Not to say that competition in Miami is low, but Vila Galé would be competing against other hotels, and not against the thematic experiences offered in Orlando. In addition, in Miami, the company could greater benefit from the TAP flight connection between Lisbon and Miami. Thus, Miami seems a safer choice for first entry attempt in this market (without excluding Orlando from future expansion strategies, in case Vila Galé in Miami proves successful).

Now, focusing on Miami-Dade, after careful analysis of its neighborhoods, the best location would be Miami Beach (see hotel concentration analysis in Appendix 21). Miami Beach has proximity to the best beaches, abundant nightlife options, the famous Art Deco district, and plenty of shopping options along Collins Avenue, from North to South Beach. The Bal Harbour area has the Bal Harbour Shops, a shopping area featuring multiple designer boutiques (such as Carolina Herrera, Chanel, Gucci, Hermès, Oscar de la Renta, Prada) and restaurants in a tropical garden setting. As for competition, it is lower in the north area than the south, as seen in the map. Although north would be the best location since it could benefit from proximity to the shopping boutiques and upscale residential areas, where more Brazilians are buying residential apartments (Setti, 2012), this area is more residential and it is more difficult to find hotel properties for sale here than in the south (see Appendix 22). Since transportation infrastructures are good and North and South Beach are not so distant from each other, the south is also a good option.

2.3.4 Hotel typology

As for the typology of the hotel, the best option would be a 4-star hotel, since this is the company's main offer and where they have more expertise. A Leisure & Work hotel would be the best route, since the main target group are Brazilian tourists, whose main purpose of the trip is shopping; thus, a Leisure & Work hotel, in one of the more commercial neighborhoods is the recommended hotel typology.

2.4 Implementation overview

Next, we will go over an implementation overview, assuming that the first option for the mode of entry is chosen. Some aspects may vary and change according to the specifics of the building chosen and/or due to the time the company takes to find a hotel and start.

2.4.1 Scheduling and Phases

From the purchase of the building, it should take around 1.5 to 2 years to open the hotel to the public. A time schedule is presented in below and in more detail in Appendix 23.

Table 4 – Schedule summary

	Year 1				Year 2				Year 3			
Phase 1 – Initial assessment												
Phase 2 – Pre-opening												
Phase 3 – Opening												
Phase 4 – Operation and Control												...

Source: Own depiction

Initial assessment (Phase 1). First step is to find a hotel building to purchase, as recommended. Generally, commercial real estate properties listings in the US are not freely available to the public⁴, requiring to hire an agency or realtor to find suitable properties. Thus, it is suggested the company contacts real estate agency or realtor, working with commercial properties. As per recommendation of the US Department of Commerce, the best way to find a realtor is through the National Association of Realtors database of accredited realtors.

Pre-opening (Phase 2). After finding a suitable hotel for sale, negotiations with the seller, realtor and financing terms (see 2.4.2 below) should follow. Afterwards, it is needed to register the business, obtain the business licenses and open a bank account for the company. The main steps to properly register the business can be done online and are the following:

⁴ LoopNet, a commercial real estate agency, lists currently 12 full-service hotels for sale in Miami-Beach (see Appendix 22); however, details are not disclosed.

1. Choose and register the business name and entity type with the State of Florida Division of Corporations. The associated costs were discussed in 2.2.2 above.
2. Obtain an Employer Identification Number (EIN) from the Internal Revenue Service. The EIN is provided immediately and can be used for opening bank accounts, apply for business licenses and fill tax returns.
3. Apply for the Florida Business Tax and obtain a Certificate of Registration. The Florida Department of Revenue issues certificates and monthly payment booklets.
4. Register with the State of Florida New Hire Reporting Center to report newly hired and re-hired employees.
5. Obtain a hotel license from Florida Department of Business and Professional Regulation – Division of Hotels and Restaurants. This license must be renewed annually. Application for the license has a \$50 fee, and the first payment of the annual license fee (varies according to the number of rooms and can range from \$110 to \$380). Additionally, to have a restaurant and serve alcoholic beverages in its premises, it is required to obtain a restaurant and an alcohol license, respectively. Before beginning operation, new licensees are required to schedule and pass a sanitation and safety inspection.
6. Obtain a Miami-Dade County Business Tax Receipt and a City of Miami Beach Certificate of Use and a Business Tax Receipt. Operating a business without a Business Tax Receipt is prohibited. Inspections by the city's Building Department, Fire Department, Planning Department, and others, must occur following the submission of an application.

After having all the licenses and legal aspects in order, comes the conception of the hotel itself. First, Vila Galé should hire a local architecture/ design company in order to define

the concept for the hotel. This team will help develop a project that takes the characteristics Vila Galé primes for in all its hotels in terms of facilities and operations, while staying according to local legal requirements in terms of construction and safety requirements.

After finishing the project, is time to implement it. Again, local construction company and support equipment and materials are advised. Companies offering what is needed for the project are good and abundant. Plus they offer competitive prices, due to big supply (recall that supplier power was low) and the still slow recovery faced by the real estate market. Thus removing the need to look elsewhere.

The process of staffing the hotel should not deviate much from current company procedures (see 2.4.3 below).

In this phase should also be addressed the adaptation and implementation of the operations manuals of the group for this unit, as well the establishment of contracts with suppliers of goods for the normal functioning of the hotel, such as food, beverages, hygiene products, etc.

Opening (Phase 3). Concluded the renovation work, with the hotel furnished, stocked and staffed, it is time to open its doors to the public. Starting a few weeks prior to the opening date, some communication efforts should be made (see 2.4.4 below).

Operation & Control (Phase 4). It is crucial to regularly monitor the hotel and evaluate its performance (see 2.4.5 below).

2.4.2 Financing

Even with the prospects of interest rates increasing, it is recommended to contract the loan for the development costs of the hotel in the US, from a commercial bank (for interest rates see 2.2.2 above and Appendix 8). Typically, in the US banks finance up to 81% of the value of the investment; Vila Galé chooses to obtain financing up to a maximum of 50-60% of the investment (Almeida, Interview 3, 2013).

2.4.3 Staff

Recruitment should be done locally, through hospitality schools from Florida and ads in online employment platforms and newspapers ads. Requirements for employees are the same as for the rest of recruitment done. Should be noted that, at this time, Miami's tourism industry is experiencing a higher demand for Portuguese speaking staff (Setti, 2012). Thus, and especially in the first months of operation, may be necessary to bring some staff from other units, namely those in Brazil. Training should follow the group's four-axis program, with some small adjustments to the location.

2.4.4 Promotion

Vila Galé should assure the new hotel is included and promoted on its website, since this is one of the main source for reservations, as well assure it appears on third-party reservation services, such as Booking.com.

An important promotion effort, in order to capture the Brazilian market and leverage on the presence in Brazil, is to promote this new unit to its customers in its Brazilian hotels. Additionally, a campaign in TAP and TAM airlines, through inflight magazines, would help communicate Vila Galé's new hotel to its main target customers. For cost reasoning,

this campaign should be limited to TAP flights in the European market, and for TAM, domestic flights.

2.4.5 Control

After the hotel start functioning and receiving guests, it is important to regularly monitor the performance of the hotel, by tracking important KPIs such as RevPar, ADR and Occupancy Rates, and benchmarking them with other group units and local competitors. The “Feel the customer” initiative to measure customer satisfaction internally should also be implemented in this unit.

Since in the US there is not a single standard rating system, instead there are different entities that try to rate hotels, customers used classify hotels based on customer reviews and satisfaction scores. Therefore, is important to keep track of customers’ reviews on websites such as Booking.com and address complaints in a timely manner.

3 CONCLUSION

The final recommendation is for Vila Galé to form an LCC firm in Miami-Beach, Florida, buy a hotel for sale and open a 4-star Leisure & Work hotel. Vila Galé should definitely keep an attentive eye on Miami (and Orlando as well) looking for real estate investment opportunities to not miss the chance of capturing the Brazilian tourists market. The sooner they enter, the sooner they can establish the Vila Galé brand in those cities. Waiting too long of a period creates opportunities for other hotel chains, such as grupo Pestana, already present in Miami. And with the recovery of the hotel industry, and of the hotel real estate market, cost of hotels will rise, and interest rates are going to get higher. This will increase entry costs for Vila Galé, thus entry should not be postponed repeatedly.

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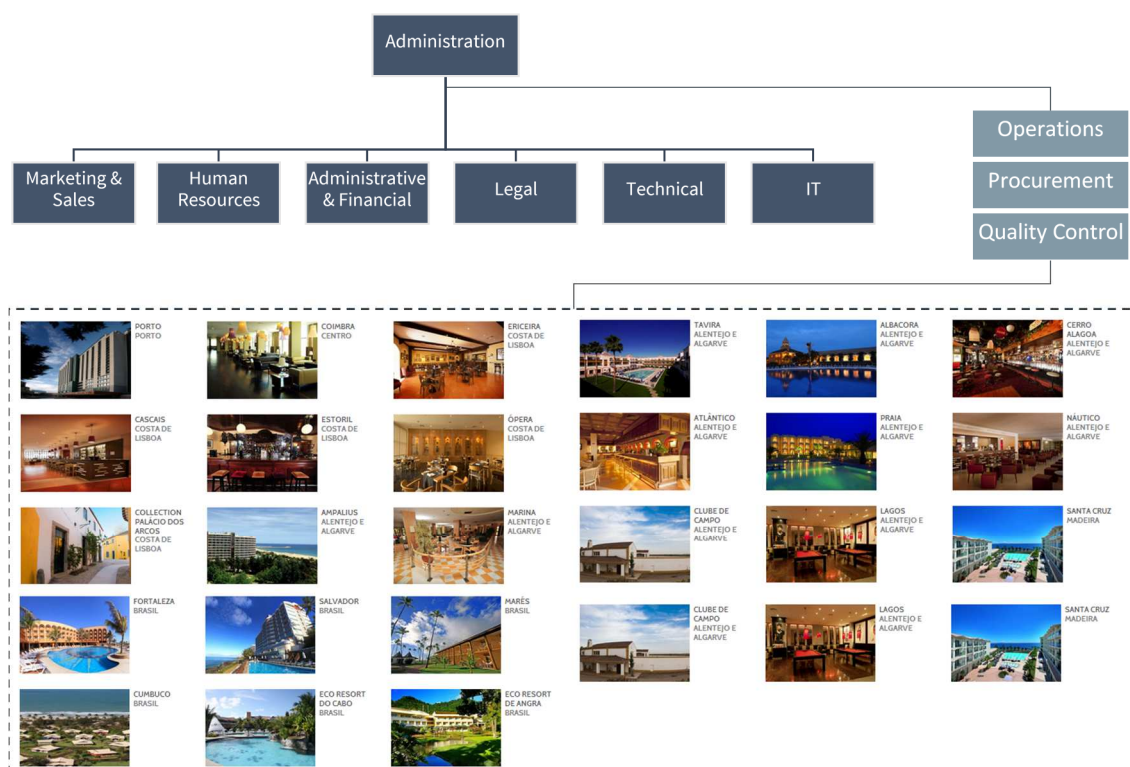
APPENDIXES

Appendix 1 – Vila Galé Hotels portfolio

Hotel	Location	Rating	Number of rooms
Porto	Porto, Portugal	4*	292
Coimbra	Coimbra, Portugal	4*	229
Ericeira	Ericeira, Portugal	4*	202
Cascais	Cascais, Portugal	4*	233
Estoril	Estoril, Portugal	4*	126
Ópera	Lisboa, Portugal	4*	259
Collection Palácio dos Arcos	Lisboa, Portugal	5*	76
Ampalhus	Vilamoura, Portugal	4*	357
Marina	Vilamoura, Portugal	4*	243
Tavira	Tavira, Portugal	4*	268
Albacora	Tavira, Portugal	4*	162
Cerro Alagoa	Albufeira, Portugal	4*	310
Atlântico	Albufeira, Portugal	4*	220
Praia	Albufeira, Portugal	4*	40
Náutico – All Inclusive	Armação de Pêra, Portugal	4*	225
Clube de Campo	Beja, Portugal	4*	81
Lagos	Lagos, Portugal	4*	262
Santa Cruz	Santa Cruz, Madeira, Portugal	4*	262
Fortaleza	Fortaleza, Ceará, Brazil	4*	300
Salvador	Salvador, Bahia, Brazil	4*	224
Marés	Guarajuba, Camaçari, Brazil	4*	447
Cumbuco	Caucaia, Ceará, Brazil	4*	465
Eco Resort do Cabo	Recife, Pernambuco, Brazil	4*	300
Eco Resort de Angra – All Inclusive	Angra dos Reis, Rio de Janeiro, Brazil	4*	307

Source: Vila Galé, 2013

Appendix 2 – Vila Galé Organizational chart and Board members

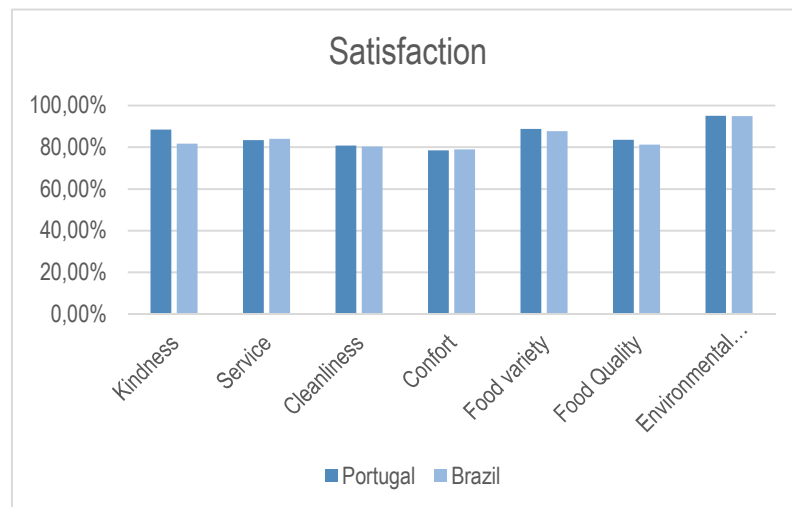


Board members:

- Jorge Afonso Campos Rebelo de Almeida, Dr. - Presidente do Conselho de Administração
- José Silvestre Lavrador - Vogal do Conselho de Administração
- Caixa Capital – Sociedade de Capital de Risco, S.A. representada pelo Sr. Dr. José Manuel Carreiras Carrilho.

Source: Vila Galé, 2013

Appendix 3 – Summary of internal surveys results regarding customer satisfaction (January to October 2013)



Source: Vila Galé, 2013

Appendix 4 – Booking.com surveys results regarding customer satisfaction

Portugal	Clean	Comfort	Location	Facilities	Staff	Value For Money	Avg.
Porto	8,3	8	7,3	8	8	7,8	7,9
Santa Cruz	8,7	8,1	8	8,4	8,6	7,6	8,2
Ericeira	8,4	8,2	9,6	8,1	8,5	7,6	8,4
Náutico All Inclusive	6,7	7,1	7,6	7,1	8,8	6,8	7,4
Praia	9,1	9	9,1	8,9	9,6	8,5	9,0
Atlântico	6,9	6,9	8,2	7	7,5	6,7	7,2
Cerro Alagoa	8,4	7,9	8,4	7,9	8,2	7,4	8,0
Coimbra	8,9	8,7	7,8	8,5	8,6	8,2	8,5
Marina	7,9	7,4	9,2	7,2	7,8	7,1	7,8
Tavira	8,3	7,9	8,7	8	8,3	7,7	8,2
Lagos	8,6	8,6	8,4	8,6	8,6	8	8,5
Albacora	8	7,4	8,5	7,7	8	7,3	7,8
Amapalius	8	7,6	9,5	7,6	7,9	7,4	8,0
Opera	8,1	7,5	7,3	7,4	7,7	7,1	7,5
Cascais	8,1	8,2	8,6	7,7	8,1	7,5	8,0
Clube de Campo	7,2	6,7	8,2	7,1	8	6,8	7,3
Estoril	8,3	7,5	9	7,3	8,4	7,3	8,0
Collection Palácio dos Arcos	9,5	9,6	8,1	9,5	9,4	9	9,2
Average for Portugal	8,2	7,9	8,4	7,9	8,3	7,5	8,0
Brazil	Clean	Comfort	Location	Facilities	Staff	Value For Money	Avg.
Marés All Inclusive	7,3	8,3	8,9	7,8	7,1	6,8	7,7
Eco Resort Angra All Inclusive	6,7	7,9	8,4	7,4	7,1	6,9	7,4
Fortaleza	6,4	6,8	6,7	6,1	6,3	5,9	6,4
Cumbuco - All inclusive	7,7	8,6	7,9	8,3	7,9	7,6	8,0
Salvador	8	8,2	8,2	7,3	7,4	7,3	7,7
Eco Resort do Cabo All inclusive	7,5	7,9	7,3	7,6	7,7	6,9	7,5
Average for Brazil	7,3	8,0	7,9	7,4	7,3	6,9	7,4

Source: Booking.com, 2013

Appendix 5 – Vila Galé Recruiting, Selection and Training process

The recruiting is done through partnerships with hospitality schools, offer of internships to students from those schools, classifieds, through the company's database from spontaneous applications and internal promotions. This last is the preferred mean to fill a vacancy, since this mobility and career progressions also works as an incentive.

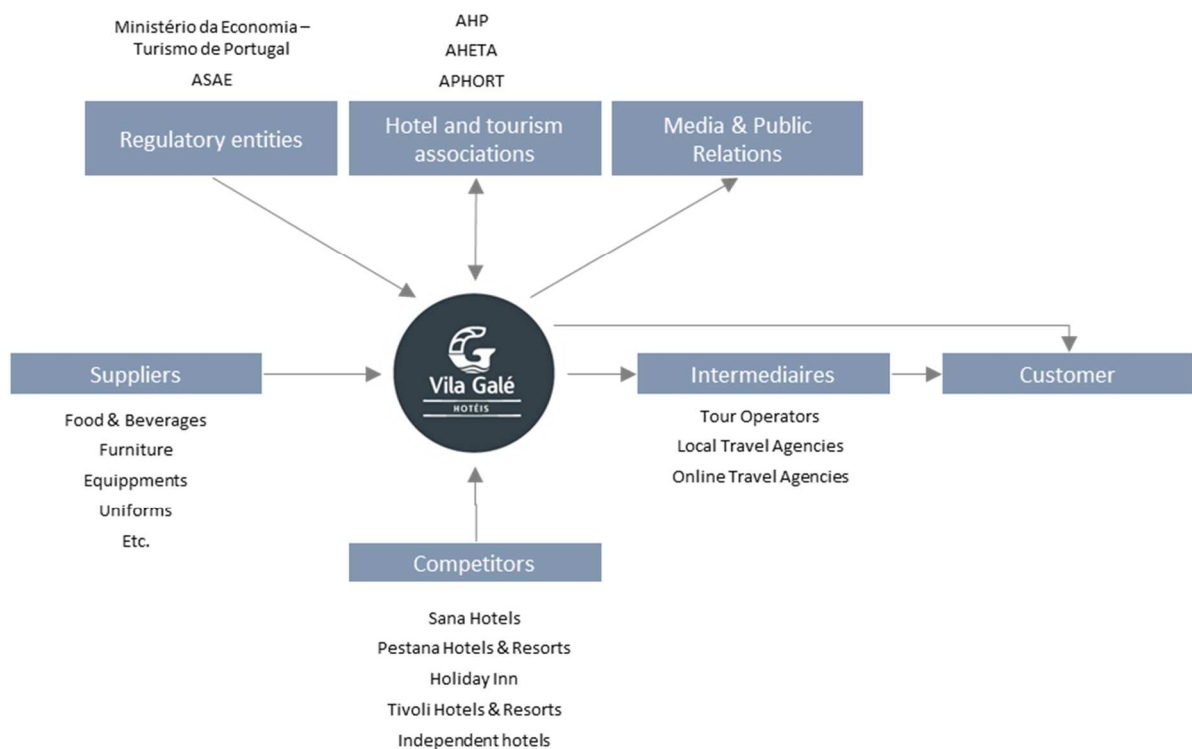
The selection process is done, in a 2-interview process: a pre-selection done by the ranking above the position being filled and a final selection/validation done by the next in ranking. In the case of a hiring for a specific hotel unit first with the section head who selects a few candidates, and then with the hotel director, that selects from those candidates. The selection of a hotel direction assistant is done first by the hotel director and then by the director of operations. The selection of a hotel director is done first by the director of operations and then by the administration board.

The training is divided in 4 axis:

- The “Descobrir/Re-descobrir” (Discover/Rediscover) axis. This is the initial formation given to any of the group's employees. It is a continuous process. Through this, the company transmits its values, its mission, the products offered – who is the group.
- The “Sentir” (Feel) axis. Human behavioral and relations formation (how to treat and address the costumer, manage complaints, deal with colleagues, etc.).
- The “Garantir” (Guarantee) axis. Technical formation, such as cooking skills, language skills, security and hygiene procedures, etc.
- The “Evoluir” (Evolve) axis. Give the collaborators the skills needed to grow inside the company (leadership, motivation, team work, etc.). Given to those that are in or have potential to be in higher positions inside the company.

These training policies are continuous, and transversal to any type of hotel, in any location (with basic adaptations of the contents to the staff in the hotels in Brazil). In Brazil, the company prefers to hire locally in oppose to send expatriates there, due to cultural divergences. In order to transmit the group's culture to the Brazilian operations, the group chooses some of the Brazilian workforce to work for a short period in the Portuguese hotels to internalize the culture, so then they dissipate it upon their return.

Appendix 6 – Industry map



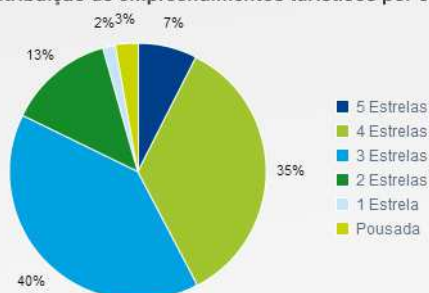
Source: Own depiction

Appendix 7 – Figures about the hotel industry in Portugal

Grupo hoteleiro / Entidade de management	Empreendimentos turísticos		Unidades de alojamento (1)		Camas	
	Número	% do total	Número ▼	% do total	Número	% do total
Pestana Hotels & Resorts / Pestana Pousadas	65	4,3%	6.483	5,5%	13.095	5,1%
Vila Galé Hotéis	17	1,1%	3.808	3,2%	7.714	3,0%
Acor Hotels	28	1,9%	2.890	2,4%	5.331	2,1%
Tivoli Hotels & Resorts	12	0,8%	2.453	2,1%	5.050	1,9%
VIP Hotels	15	1,0%	2.312	1,9%	4.696	1,8%
Hoti Hotéis	14	0,9%	1.860	1,6%	3.707	1,4%
Dom Pedro Hotels	7	0,5%	1.399	1,2%	2.915	1,1%
Sana Hotels	10	0,7%	1.363	1,1%	2.663	1,0%
Continental Group	11	0,7%	1.288	1,1%	2.621	1,0%
Starwood Hotels & Resorts	6	0,4%	1.284	1,1%	2.662	1,0%
Iberotel / Yellow Hotels	4	0,3%	1.261	1,1%	3.636	1,4%
Hotéis Real	8	0,5%	1.231	1,0%	2.561	1,0%
Hotéis Fénix	7	0,5%	1.210	1,0%	2.636	1,0%
Riu Hotels & Resorts	3	0,2%	1.172	1,0%	2.389	0,9%
Marriott	5	0,3%	1.161	1,0%	2.270	0,9%
Porto Bay Hotels & Resorts	6	0,4%	1.099	0,9%	2.221	0,9%
Bensaude Turismo	8	0,5%	1.058	0,9%	2.112	0,8%
Inatel Turismo	16	1,1%	1.052	0,9%	2.245	0,9%
Barata Hotels & Resorts	9	0,6%	1.051	0,9%	2.112	0,8%
Turim Hotéis	11	0,7%	999	0,8%	2.498	1,0%
Sub-total	262	17,4%	36.434	30,7%	75.134	29,0%
Outros Grupos hoteleiros / Entidades de management	381	25,3%	38.656	32,6%	84.217	32,5%
Independentes	865	57,3%	43.641	36,7%	99.753	38,5%
Total	1.508	100%	118.731	100%	259.104	100%

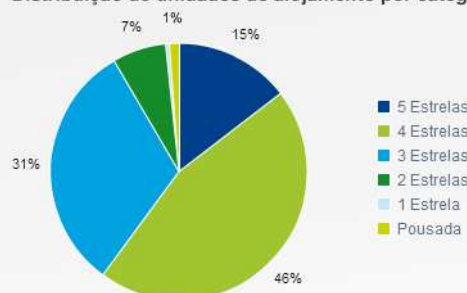
(1) Por unidades de alojamento entendem-se o número de quartos e/ ou de apartamentos.

Distribuição de empreendimentos turísticos por categoria

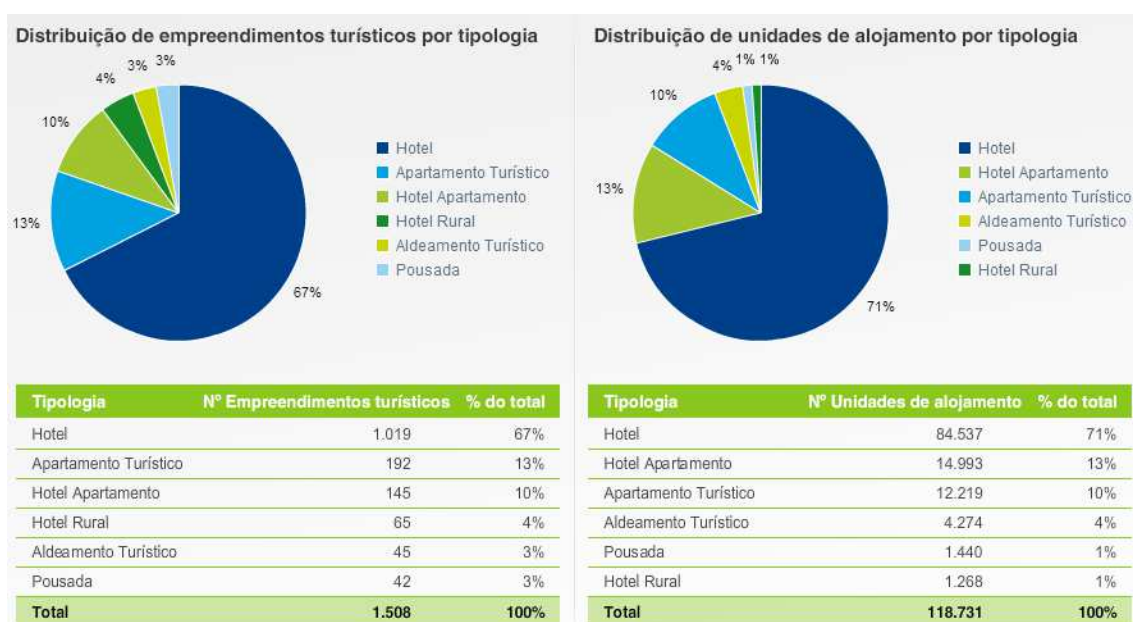


Categoria	Nº Empreendimentos turísticos	% do total
5 Estrelas	113	7%
4 Estrelas	525	35%
3 Estrelas	602	40%
2 Estrelas	202	13%
1 Estrela	24	2%
Pousada	42	3%
Total	1.508	100%

Distribuição de unidades de alojamento por categoria



Categoria	Nº unidades de alojamento	% do total
5 Estrelas	17.263	15%
4 Estrelas	54.076	46%
3 Estrelas	37.371	31%
2 Estrelas	8.024	7%
1 Estrela	557	0%
Pousada	1.440	1%
Total	118.731	100%



Source: Deloitte, 2012

Appendix 8 – Interim financing interest rates for lodging properties (US average)

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2013*							
INTERIM FINANCING - CONSTRUCTION							
PROPERTY TYPE	SPREAD OVER BASE (Prime)	INTEREST RATE	LOAN FEES	LOAN-TO-VALUE RATIO	LOAN-TO-COST RATIO	LOAN TERM (Mos.)	AMORTIZATION
Lodging							
Minimum	1.25%	4.50%	1.50%	50%	60%	12	Interest Only
Maximum	7.05%	10.30%	5.70%	100%	100%	24	Interest Only
Average	4.04%	7.29%	3.45%	81%	80%	18	Interest Only

Source: RealtyRates.com, 2013

*3rd Quarter 2013 Data

Appendix 9 – Average salary of jobs in the Hotel category in Miami-Dade County and Orlando, FL

Position	Miami-Dade County	Orlando
Hotel Manager	49,000	40,000
Restaurant Hotel Manager	20,000	20,000
Front-office Manager	34,000	33,000
Operations General Manager	90,000	88,000
Concierge	23,000	22,000
Housekeeper	19,000	19,000
Security Officer	23,000	22,000
Maintenance	24,000	24,000

Source: Indeed.com, 2013

Appendix 10 – Corporate income tax rates in the U.S.A.

Taxable income over	Not over	Tax rate
US\$0	US\$50,000	15%
50,000	75,000	25%
75,000	100,000	34%
100,000	335,000	39%
335,000	10,000,000	34%
10,000,000	15,000,000	35%
15,000,000	18,333,333	38%
18,333,333	...	35%

Source: Federal Reserve Bank of St. Louis, 2013

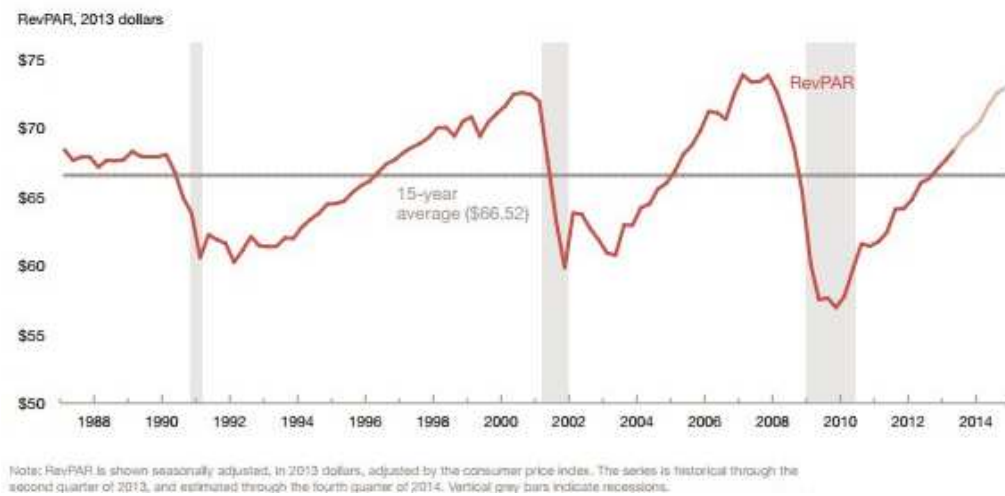
Appendix 11 – Business entities in Florida, U.S.A.

Florida has the following types of business entities: Sole proprietorship, General partnership, Corporation, S-Corporation, Limited Liability Company (LLC), and a Limited Partnership. For Vila Galé, there are three worth comparing:

	Corporation	LLC	Limited partnership
Formation	Formed by one or more individual owners (shareholders or stockholders).	Formed by one or more individual owners (members).	Formed by two or more individual owners. There must be at least one general partner and one limited partner.
Taxation	Corporation pays taxes on its income, and then the shareholders pay taxes on any dividends they receive from the corporation.	Can choose to be taxed as corporation or partnership.	Each member pays tax on the income it obtains from the partnership; only taxed on the individual level.
Liability	The individual shareholders are typically not responsible for the unpaid debts of the business.	The individual members are typically not responsible for the unpaid debts of the business.	The general partners are responsible for the unpaid debts, the limited partners are not responsible for any unpaid debts.

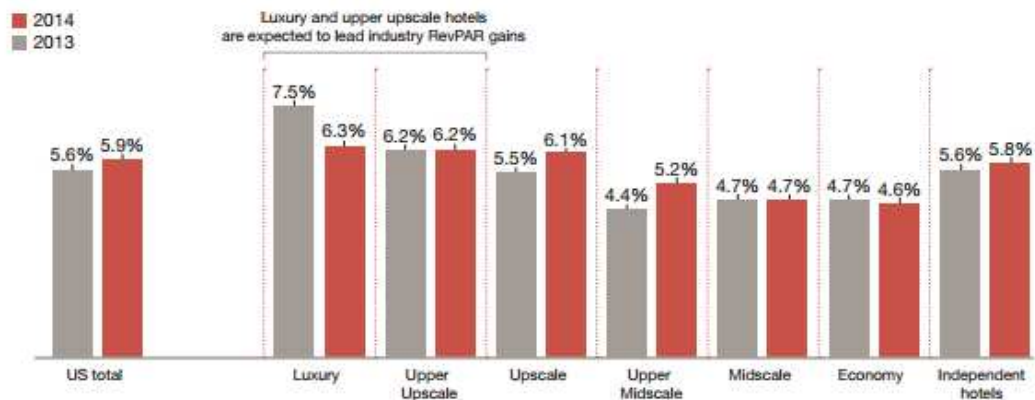
Source: Own depiction

Appendix 12 – Real RevPAR



Source: PwC, 2013

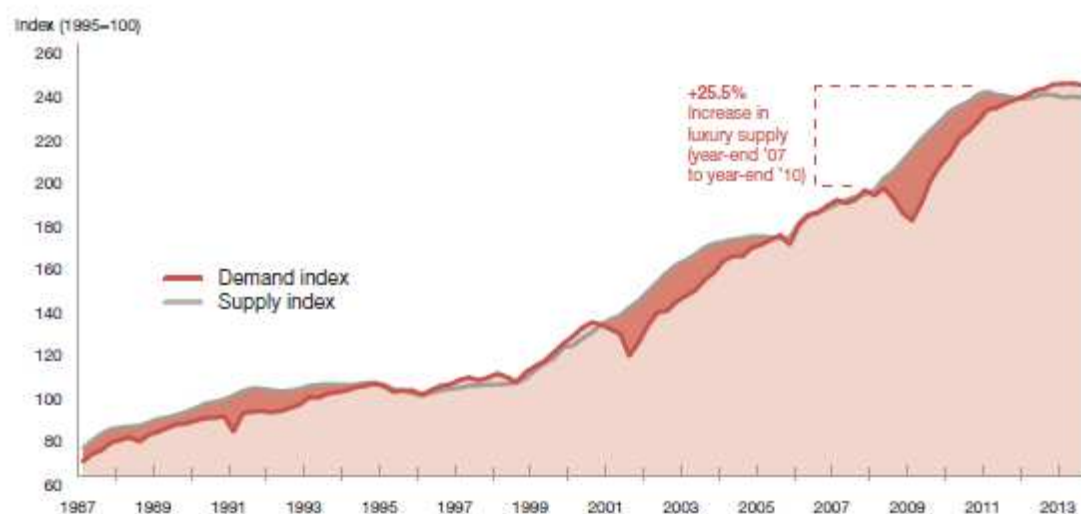
Appendix 13 – Chain scale RevPAR growth



Source: PwC, 2013

Appendix 14 – Luxury demand and supply

Figure 5: Luxury demand and supply



Note: Both series are indexed to equal 100 in 1995. Data is seasonally adjusted and the most recent historical data point is the third quarter of 2013.

Source: PwC, 2013

Appendix 15 – Orlando lodging performance 2008 - 2012

Metro Orlando Regions	2008	2009	2010	2011	2012
Number of Rooms	111.551	114.109	115.199	115.413	115.800
Number of Properties	437	447	449	451	448
Occupancy Rate	65,8%	59,5%	63,9%	67,6%	68,8%
Room Night Demand*(in millions)	26,9	24,3	26,7	28,4	29,1
Change in Demand	-2,3%	-9,7%	10,0%	6,2%	2,6%
Average Daily Rate	\$105,83	\$93,34	\$90,76	\$94,11	\$96,88

* Represents number of available rooms occupied based on occupancy rate.

Source: Visit Orlando Market Research & Insights, 2012

Appendix 16 – Orlando lodging inventory by region

Metro Orlando Regions	Hotels/ Motels	Total Rooms
Orlando North	60	6.053
Orlando Central	66	7.734
International Drive	111	38.554
Orlando South	54	9.743
Lake Buena Vista	47	35.843
Kissimmee East	97	12.728
Kissimmee West	18	5.844
TOTAL as of October 2013	453	116.499

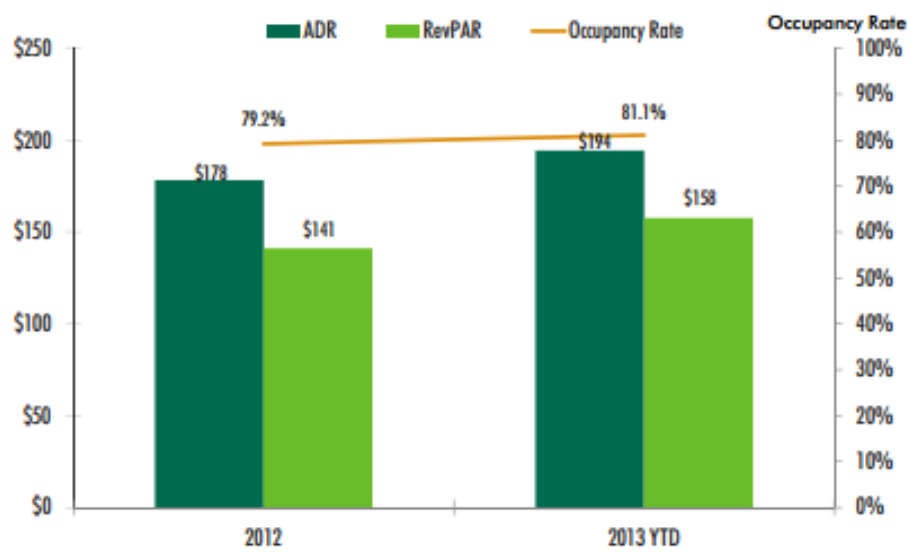
Source: Visit Orlando Market Research & Insights, 2012

Appendix 17 – Orlando lodging inventory by star rating

Rating	Hotels
1 star	3
2 stars	99
3 Stars	200
4 Stars	67
5 Stars	4
Unrated	31

Source: Booking.com, 2013

Appendix 18 – Miami lodging performance 2012 vs 2013 (January-June)



Source: GMCVB, 2013

Appendix 19 – Miami-Dade lodging inventory by region

Miami -Dade Monthly Hotel Inventory By Regions June 2013				
Miami-Dade Region	Units	%	Rooms	%
Airport	43	11.6%	7,672	15.9%
Aventura/Sunny Isles	15	4.1%	2,734	5.7%
Central Dade	18	4.9%	1,928	4.0%
Coral Gables	15	4.1%	1,677	3.5%
Doral	20	5.4%	3,161	6.6%
Downtown	29	7.8%	6,589	13.7%
Grove/Key Biscayne	12	3.2%	1,716	3.6%
Miami Beach	143	38.6%	16,768	34.8%
North Dade	37	10.0%	2,985	6.2%
South Dade	29	7.8%	2,077	4.3%
Surfside/Bal Harbor	9	2.4%	838	1.7%
Total Hotel Inventory	370	100.0%	48,145	100.0%

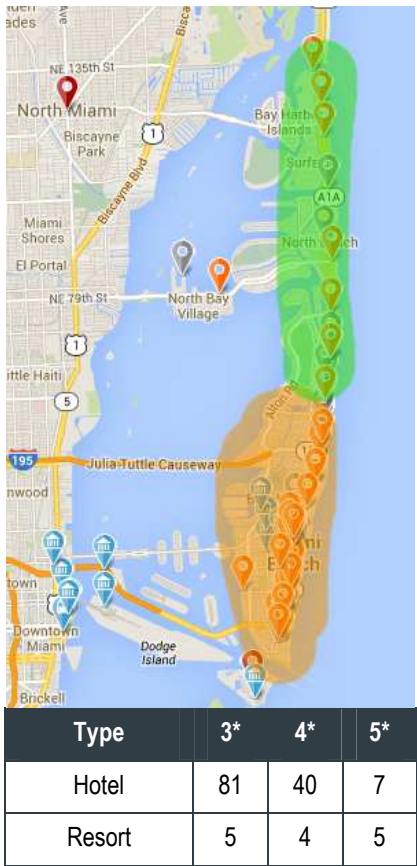
Source: GMCVB, 2013

Appendix 20 – Miami Beach lodging inventory by star rating

Rating	Hotels
1 star	
2 stars	19
3 Stars	81
4 Stars	40
5 Stars	7
Unrated	3

Source: Booking.com, 2013

Appendix 21 – Miami Beach hotel concentration



Source: Booking.com, 2013

Appendix 22 – Full-service hotels for sale in Miami-Beach, FL



Source: LoopNet, 2013

Appendix 23 – Schedule of opening activities

Phase	Activity	Year 1				Year 2				Year 3			
1	Market research and property search												
2	Negotiation with seller, realtor and bank												
	Licensing & other legal requirements												
	Design and project of construction												
	Construction and renovations												
	Recruitment & Selection												
	Training												
	Furniture, equipment and stocks												
3	Opening promotional efforts												
4	Performance and satisfaction control												...

Source: Own depiction